

**GUIDELINES FOR FLEXIBLE PREMIUM
ADJUSTIBLE LIFE INSURANCE POLICIES**

July 6, 1981

These guidelines are intended to cover that type of life insurance policy under which reserves and cash values are established for the benefit of the policyholder from which periodic deductions are explicitly made for mortality costs and expense charges. This type of policy has been referred to under various names; e.g., *Adjustable Life Policies*, *Flexible Premium Life Policies*, *Universal Life Policies*, and perhaps other names customized by a company.

While the Insurance Division of the State of Nevada believes that these types of policies are potentially in the consumer's interest, these types of policies are necessarily different than the conventional life insurance policy and therefore, it is of paramount importance the insurance public fully understands the operation of all elements of these types of new policies.

To assist the insuring public to have a better understanding of these new policies, the Insurance Division of the State of Nevada issues the following guidelines.

1. In addition to all the requirements for submitting a conventional life insurance policy for approval, the following special items are required for the policies to be considered for approval:
 - a. Any brochures and sales material designed specifically for the product should be submitted with the policy form.
 - b. A sample Statement of Policy Costs and Benefit Information as required by Regulation LH6 (NAC 686A.410 to 686A.455, inclusive) shall be submitted in "John Doe" fashion with consistent variable assumptions as to age, sex, and amount to those used on the policy submitted. Included in this must be a projection of cash values and death benefits using both guaranteed and currently assumed rates of interest and mortality. The Statement of Policy Cost and Benefit Information must also have a prominent notice in the table of projected values to the following general effect except that a company may omit any reference provided in the following prepared notice which is guaranteed without variation in the company's policy.

Important Notice. – The projected results of your Insurance Program may change with variations in the interest rates, mortality rates (risk charges), expense factors, and the frequency, timing and amount of your premium payments.

- c. A sample annual status report meeting the requirements provided in Subsection d of Paragraph 2 of these Guidelines.

Bulletin 29

- d. A brief description of the company's marketing and distribution plans for the product in the State of Nevada.
2. In addition to the above, the company must do the following:
 - a. An officer of the company must certify these guidelines have been read and the policy and the company's practice will comply with these guidelines.
 - b. The certification required in Subsection a. hereof, must further state that the company will give an up-to-date projection of values based on past results and current assumptions within a reasonable length of time upon request.
 - c. The certification provided in Subsection a. hereof, must further provide that the company will furnish the policyholder with an annual report in a form consistent with the requirements set forth in Subsection d. hereof.
 - d. The company must place on file with the Insurance Division of the State of Nevada a plan that will be used to keep the policyholder apprised of the progression of the insurance program and particularly with regards to information as to how accumulated results compare with the projections made when the policy was originally sold. Included in this plan must be an annual report showing essentially the following information:
 - 1) total premiums paid;
 - 2) total mortality charges;
 - 3) total interest credits;
 - 4) total expenses charged;
 - 5) cash value at beginning of report period;
 - 6) cash value at the end of the period;
 - 7) current rate of interest credit;
 - 8) partial surrenders or withdrawals; and
 - 9) loan activity.
 - e. The company must reasonably notify in writing the policyholder of any reduction in the current rate of interest or return applicable to his or her policy together with an offer to provide upon request suggested new policy payments.

Patsy Redmond
INSURANCE COMMISSIONER